

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 0-22613

ANTIVIRALS INC.

(Exact name of registrant as specified in its charter)

Oregon

93-07972223

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer Identification No.)

One SW Columbia Street, Suite 1105, Portland, Oregon
(Address of principal executive offices)

97258
(Zip Code)

Issuer's telephone number, including area code: 503-227-0554

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes X

No

Indicate the number of shares outstanding of each of the issuer's classes of
common stock, as of the latest practicable date.

Common stock without par value
(Class)

11,166,434
(Outstanding at May 1, 1998)

Transitional Small Business Disclosure Format (check one): Yes No X

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FORM 10-QSB
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	March 31, 1998	December 31, 1997
	-----	-----
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,790,550	\$ 17,638,936
Other current assets	549,260	19,042
	-----	-----
Total Current Assets	16,339,810	17,657,978
Property and Equipment, net of accumulated depreciation and amortization of \$2,301,158 and \$2,262,755	403,660	438,820
Patent Costs, net of accumulated amortization of \$233,773 and \$218,773	560,825	553,063
Deferred Acquisition Costs	192,201	102,506
Other Assets	29,847	29,847
	-----	-----
Total Assets	\$ 17,526,343	\$ 18,782,214
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 302,189	\$ 219,083
Accrued liabilities	179,247	245,369
	-----	-----
Total Current Liabilities	481,436	464,452
Shareholders' Equity:		
Preferred Stock, \$.0001 par value, 2,000,000 shares authorized; none issued and outstanding	-	-
Common stock, \$.0001 par value, 50,000,000 shares authorized; 11,158,951 and 11,125,617 issued and outstanding	1,116	1,113
Additional paid-in capital	34,510,122	34,358,122
Deficit accumulated during the development stage	(17,466,331)	(16,041,473)
	-----	-----
Total Shareholders' Equity	17,044,907	18,317,762
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 17,526,343	\$ 18,782,214
	-----	-----

	Three months ended		July 22, 1980
	March 31,	March 31,	(Inception) to
	1998	1997	March 31, 1998
	-----	-----	-----
Revenues, from grants and research contracts	\$ 5,650	\$ -	\$ 709,492
Operating expenses:			
Research and development	1,294,264	451,723	13,043,010
General and administrative	306,965	170,028	6,138,761
	-----	-----	-----
	1,601,229	621,751	19,181,771
Other Income:			
Interest income, net	170,721	29,055	909,198
Realized gain on sale of short-term investments	-	-	96,750
	-----	-----	-----
	170,721	29,055	1,005,948
Net loss	\$ (1,424,858)	\$ (592,696)	\$ (17,466,331)
	-----	-----	-----
Net loss per share - basic and diluted	\$ (0.13)	\$ (0.07)	
	-----	-----	
Weighted average number of common shares outstanding for computing basic and diluted earnings per share	11,147,840	8,233,548	
	-----	-----	
	-----	-----	

	Three months ended March 31,		For the Period
	1998	1997	July 22, 1980 (Inception) to March 31, 1998
Cash flows from operating activities:			
Net loss	\$ (1,424,858)	\$ (592,696)	\$ (17,466,331)
Adjustments to reconcile net loss to net cash flows used in operating activities:			
Depreciation and amortization	56,673	132,016	2,573,780
Realized gain on sale of short-term investments - available for sale	-	-	(96,750)
Compensation expense on issuance of common stock and partnership units	-	-	182,392
Compensation expense on issuance of options and warrants to purchase common stock or partnership units	-	-	562,353
Conversion of interest accrued to common stock	-	-	7,860
(Increase) decrease in:			
Other current assets	(530,218)	-	(549,260)
Other assets	-	-	(29,847)
Net increase in accounts payable and accrued liabilities	16,984	43,280	481,436
Net cash used in operating activities	(1,881,419)	(417,400)	(14,334,367)
Cash flows from investing activities:			
Proceeds from sale or redemption of short-term investments	-	30,000	247,750
Purchase of property and equipment	(6,513)	(55,337)	(2,743,667)
Patent costs	(22,762)	(23,649)	(794,598)
Deferred acquisition costs	(89,695)	-	(192,201)
Net cash used in investing activities	(118,970)	(48,986)	(3,482,716)
Cash flows from financing activities:			
Proceeds from sale of common stock, warrants, and partnership units, net of offering costs, and exercise of options	152,003	(239,492)	33,993,070
Buyback of common stock pursuant to rescission offering	-	-	(288,795)
Withdrawal of partnership net assets	-	-	(176,642)
Issuance of convertible debt	-	-	80,000
Net cash provided by (used in) financing activities	152,003	(239,492)	33,607,633
Increase (decrease) in cash and cash equivalents	(1,848,386)	(705,878)	15,790,550
Cash and cash equivalents:			
Beginning of period	17,638,936	3,011,229	-
End of period	\$ 15,790,550	\$ 2,305,351	\$ 15,790,550

ANTIVIRALS INC.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

The financial information included herein for the three-month periods ended March 31, 1998 and 1997 and the financial information as of March 31, 1998 is unaudited; however, such information reflects all adjustments consisting only of normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The financial information as of December 31, 1997 is derived from AntiVirals Inc.'s (the Company's) Form 10-KSB. The interim financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Form 10-KSB. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full year.

NOTE 2. EARNINGS PER SHARE

Beginning December 31, 1997, basic earnings per share (EPS) and diluted EPS are computed using the methods prescribed by Statement of Financial Accounting Standard No. 128, EARNINGS PER SHARE (SFAS 128). Basic EPS is calculated using the weighted average number of common shares outstanding for the period and diluted EPS is computed using the weighted average number of common shares and dilutive common equivalent shares outstanding. Prior period amounts have been restated to conform with the presentation requirements of SFAS 128. Given that the Company is in a loss position, there is no difference between basic EPS and diluted EPS since the common stock equivalents would be antidilutive. This restatement to conform with the presentation requirements of SFAS 128 resulted in no change to previously reported numbers.

Three Months Ended March 31,	1998	1997
Net loss	\$(1,424,858)	\$(592,696)
Weighted average number of shares of common stock and common stock equivalents outstanding:		
Weighted average number of common shares outstanding for computing basic earnings per share	11,147,840	8,233,548
Dilutive effect of warrants and stock options after application of the treasury stock method	*	*
Weighted average number of common shares outstanding for computing diluted earnings per share	11,147,840	8,233,548
Net loss per share - basic and diluted	\$(0.13)	\$(0.07)

* The following common stock equivalents are excluded from earnings per share calculation as their effect would have been antidilutive:

Three Months Ended March 31,	1998	1997
-----	-----	-----
Warrants and stock options	4,593,497	1,584,606

NOTE 3. OTHER CURRENT ASSETS

The balance in other current assets consists primarily of advances to ImmunoTherapy Corporation in anticipation of completing the acquisition thereof.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FORWARD-LOOKING INFORMATION

The Financial Statements and Notes thereto should be read in conjunction with the following discussion. The discussion in this Form 10-QSB contains certain forward-looking statements that involve risks and uncertainties, including, but not limited to, the results of research and development efforts, the results of pre-clinical and clinical testing, the effect of regulation by FDA and other agencies, the impact of competitive products, product development, commercialization and technological difficulties, and other risks detailed in the Company's Securities and Exchange Commission filings.

OVERVIEW

From its inception in July 1980, the Company has devoted its resources primarily to fund its research and development efforts. The Company has been unprofitable since inception and, other than limited interest and grant revenue, has had no material revenues from the sale of products or other sources, and does not expect material revenues for at least the next 12 months. The Company expects to continue to incur losses for the foreseeable future as it expands its research and development efforts. As of March 31, 1998, the Company's accumulated deficit was \$17,466,331.

RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 1997 COMPARED WITH QUARTER ENDED MARCH 31, 1998. Operating expenses increased from \$621,751 in 1997 to \$1,601,229 in 1998 due to increases in research and development staffing and increased expenses associated with outside collaborations and pre-clinical testing of the Company's technologies. Additionally, increased general and administrative costs were incurred to support the research expansion, and to broaden the Company's investor and public relations efforts due to its change in status to a public company in mid-1997. Net interest income increased from \$29,055 in 1997 to \$170,721 in 1998 due to earnings on increased cash balances, which consisted of proceeds from the initial public offerings.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents were \$15,790,550 at March 31, 1998, compared with \$17,638,936 at December 31, 1997. The decrease of \$1,848,386 was primarily due to increases in research and development staffing and increased expenses associated with outside collaborations and pre-clinical testing of the Company's technologies. Additionally, increased general and administrative costs were incurred to support the research expansion, to broaden the Company's investor and public relations efforts due to its change in status to a public company in mid-1997, and to advance funding to ImmunoTherapy Corporation as part of its acquisition thereof.

The Company's future expenditures and capital requirements will depend on numerous factors, including without limitation, the progress of its research and development programs, the progress of its pre-clinical and clinical trials, the time and costs involved in

obtaining regulatory approvals, the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights, competing technological and market developments, the ability of the Company to establish collaborative arrangements and the terms of any such arrangements, and the costs associated with commercialization of its products. The Company's cash requirements are expected to continue to increase significantly each year as it expands its activities and operations. There can be no assurance, however, that the Company will ever be able to generate product revenues or achieve or sustain profitability.

The Company expects that its cash requirements over the next twelve months will be satisfied by existing cash resources.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The exhibit filed as a part of this report is listed below and this list constitutes the exhibit index.

EXHIBIT NO.

27 Financial Data Schedule

(b) Reports on Form 8-K

The Company did not file any Reports on Form 8-K during the quarter ended March 31, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 12, 1998

ANTIVIRALS INC.

By: /s/ DENIS R. BURGER, Ph.D.

Denis R. Burger, Ph.D.
President, Chief Executive Officer
and Director
(Principal Executive Officer)

By: /s/ ALAN P. TIMMINS

Alan P. Timmins
Chief Operating Officer,
Chief Financial Officer and Director
(Principal Financial and Accounting Officer)

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DEC-31-1998
JAN-01-1998
MAR-31-1998
15,790,550
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